



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

The next six months will see a substantial reduction in the size of the U.S. military presence in Iraq, a continuing reorganization of the U.S. Embassy's reconstruction management, and the election of a new Iraqi parliament. Among other things, this Quarterly Report—SIGIR's 23rd—analyzes three key issues that will shape the continuing U.S. effort in Iraq:

- the transfer of police training from the Department of Defense to the Department of State
- the management and oversight of the billions in remaining U.S. reconstruction funds
- the changing U.S. presence in the provinces

A new SIGIR audit also explores policy issues related to the management of Iraqi funds by the U.S. government. To date, SIGIR has identified \$27.5 million in Iraqi funds for return or potential return to the Government of Iraq: \$13 million was returned in March 2009 to Prime Minister al-Maliki, and this quarter we identified \$14.4 million more that may further be available for return. We plan to soon initiate further work to examine expired U.S. appropriated funds.

Another SIGIR audit issued this quarter uncovered \$4.1 million in potential overbillings by a U.S. contractor charged with improving the Iraqi Army's logistical infrastructure. The overbillings included charging \$196.50 for a package of 10 washers; under the terms of the contract, the package should have cost \$1.22. SIGIR also issued an initial report on its ongoing, statutorily mandated forensic review of all U.S. taxpayer funds appropriated for the reconstruction of Iraq. The forensic audit initiative already has identified hundreds of suspicious transactions, leading to the opening of six investigations involving 15 subjects.

SIGIR regularly collaborates with Government of Iraq oversight agencies, especially the Board of Supreme Audit (BSA). This quarter, in a groundbreaking initiative, SIGIR auditors worked with BSA auditors to evaluate the Iraq-Commander's Emergency Response Program. SIGIR issued a review finding that incomplete records inhibited oversight of the program. I will soon depart on my 25th trip to Iraq, during which I will review the findings with the BSA's president in Baghdad and ascertain next steps.

SIGIR investigators achieved progress in several ongoing cases this quarter. In one, investigators seized more than \$1.7 million from a safe deposit box leased to a participant in a wide-ranging conspiracy to defraud the U.S. government of millions of dollars. In another case, two U.S. Marine Corps lieutenant colonels were found guilty under the Uniform Code of Military Justice of wrongfully disposing of U.S. military property. A third Marine was found guilty of accepting \$67,000 in bribes from contracting companies doing business in Iraq. To date, SIGIR's investigations have produced 24 convictions, 31 indictments, and more than \$49 million in court-ordered fines, forfeitures, and recoveries. With 96 active cases, more indictments or convictions are sure to occur before the end of the year.

I am pleased to report that, on October 20, 2009, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognized SIGIR's Investigations and Inspections directorates for their superlative work. SIGIR's inspectors received the *Sentner Award for Dedication and Courage* for their commitment to traveling throughout Iraq to evaluate U.S.-funded reconstruction projects. CIGIE also presented its *Award for Excellence* to SIGIR's investigators for success in fighting fraud in Iraq.

Over the past year, SIGIR provided more than 6,700 hours of administrative, technical, and professional support to the Special Inspector General for Afghanistan Reconstruction (SIGAR) to help this organization stand up its operations. SIGIR's assistance to SIGAR wrapped up this quarter, and we wish SIGAR well as it confronts the challenge of overseeing U.S. reconstruction and stabilization initiatives in Afghanistan.

Although most of the Iraq reconstruction money is now spent, billions remain to be obligated and expended. Thus, our oversight mandate is still quite significant, and we continue to be vigilant in executing it. Moreover, SIGIR's forensic audit initiative will bear investigative fruit for several years to come. But, in light of the diminishing reconstruction program in Iraq, SIGIR has begun to implement a transition program, and we have realized internal efficiencies that resulted in \$7 million being returned to the U.S. Treasury. In fiscal year 2010, the organization will drop in size by one-third, with plans to reduce by another third in FY 2011 as the mission is transitioned to our permanent oversight partners.

A handwritten signature in black ink, appearing to read "Stuart Bowen, Jr.", followed by a period.

Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction